Regional Policy Issues for Rail Short Lines

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ABSTRACT

This paper presents some of the results of the SHORTLINES research project for Ademe (French agency for the environment) and Predit (French support program for surface transport research). The paper focuses on France, and makes some comparisons with North America and Germany. It is organized in two parts. The first part analyzes the notion of "short line" freight railways in the European context. We observe that to date, unlike short lines in North America, which have mostly sought cooperation with major railways, the new rail operators in Europe are competing with the majors. The second part discusses regional policies on rail freight transport. We observe that for some time, local governments in France have been afraid that the ongoing reduction of regional rail freight services will increase truck traffic and environmental impacts. Today, however, these governments appear to be more reluctant to promote rail freight activities than they were a few years ago. The current conditions under which local lines operate in Europe and especially in France, including small capacity on the infrastructure and high cost of labor and low productivity, may explain this reluctance.

Short title: Regional policy for short lines

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INTRODUCTION

In order to improve their financial performance, most European freight railways have been undergoing major reorganizations over the past 15 years. New European legislation on rail freight market deregulation made these reorganizations all the more necessary. On April 2006, the French domestic market, historically one of the least open rail markets in Europe, was completely deregulated. Deregulation of the German market had occurred earlier, in the mid-1990s. Fret SNCF, the freight division of the French national railway company SNCF, launched a reorganization plan in 2003, called the Freight Plan. With this plan, SNCF aimed at becoming more efficient and profitable by the end of 2006. Following on-going financial difficulties and loss of traffic in 2007, yet another strategy was decided and is now under way. In Germany, the Deutsche Bahn carried out a similar radical reorganization in the years 2000-2003, under the Mora C[1] program.

The reorganization of major railway networks often brings reduction or disappearance of railway services on secondary lines with low traffic. Such lines have a reputation for being the most expensive part of freight operations (Harris et al, 2003). At the same time, society at large is increasingly looking to railway transport as an alternative to

road transport and a solution to fossil fuel consumption and climate change. Local governments fear an increase in truck traffic on local roads. Together with organizations such as chambers of commerce or regional shippers' groups, they also fear that some industries producing low-value goods might suffer from the closure of rail lines, especially in remote regions with little access to cheap truck service. This creates pressure to maintain local or regional rail freight services, whatever the cost.

Amid these multiple and somewhat contradictory influences, important questions about the relevance of regional rail services for freight movement are not yet answered. Is there an economic model for such regional services? What are their true energy and environmental benefits? Would the European public really benefit from government promotion of these services?

This paper presents local policies on rail regional services in France, and questions their relevance and feasibility. A broad comparison with the German and North American situations regarding short lines is also provided. The material for this paper comes from the SHORTLINES research project led by INRETS and other research institutions for the French transport research program Predit (Dablanc ed., 2008). The SHORTLINES project started in 2006 and has run until May 2008. It aimed to examine short distance rail freight traffic in France and Germany from economic and environmental perspectives. In this project, I was specifically in charge of an analysis of regions' policies on rail freight transport (by a region, I mean one of the 22 French highest levels of local governments: see note 2 and Figure 5).

In order to analyze regional governments' rail freight policies, three surveys were carried out within the SHORTLINES research project. One was a questionnaire survey sent to French regional governments, the other two were analyses of all transport master

plans and investment plans recently signed by the regions. These surveys provided an important part of the material for this paper. Additional sources of information were interviews and the literature. The trade press and local newspapers were also reviewed.

This paper is organized in two parts. In the first part, I define the notion of short lines in a European context and I present the current situation of regional rail freight services in France. In the second part, I analyze public policies on regional rail freight transport.

WHAT ARE SHORT LINE RAILWAYS IN THE EUROPEAN CONTEXT?

A short line involves a partnership

In its U.S. and Canadian meaning, a short line is a railway company that operates independently in a limited geographical area and provides freight traffic to a major railway company (typically a "Class 1" operator). Many short lines were born out of the dismemberment of a larger railway. A short line is usually defined by its annual revenue (in 2004, US$21 million or less). In organizational terms, a short line is the initial or final segment of a cooperative rail transport chain: "short lines form a key link in the door-to-door movement of goods" (Canadian National website). Another important characteristic of short lines (and railways in general) in North America is that they often own the tracks on which they operate, whereas most European rail infrastructure networks are owned and maintained by independent agencies and are in principle accessible to all operators.

By this definition, very few short lines exist in Europe and France. In France, the vast majority of regional and carload freight services are integrated within Fret SNCF, the incumbent company. Carload traffic is still quite important for SNCF (about 40% of SNCF's conventional rail traffic, expressed in ton-km, is carload). Apart from SNCF, very few companies – whether subsidiaries or independent – provide local services in France. In Germany, the situation is more complex. There is a long history of regional rail operators, and dozens of local companies provide freight to the Deutsche Bahn. As in North America, these companies cooperate with the major carrier. In addition to this traditional way of working, a new pattern of rail freight operations has been emerging in Germany over the last 10 years, following the deregulation of the rail market in the mid-1990s. New operators have appeared who are seeking not to cooperate with the dominant railway, but rather to compete with it. They use the federal rail infrastructure network (owned by DB Netz, which is still part of Deutsche Bahn) to provide a complete door-to-door transport service. This is not the North American short line model.

Regional services are priority targets of large rail freight companies' reorganizations

In order to improve their financial performance, most European freight railways have been forced to reorganize their processes. In Germany, the Deutsche Bahn carried out the Mora C program in 2000-2003, while SNCF in France has been reorganising its freight division under the Freight Plan of 2004-2006 and more recently under the SWING^2 Plan. Reorganization has not been limited to these programs. Both DB and

SNCF have been undergoing nearly continuous reorganization for decades as efficient road transport services developed. One indicator of this is the decreasing number of private sidings, as shown on Figure 1. However, the Mora C Plan and the Freight and SWING Plans have been more radical than previous ones, especially in terms of the intended optimization of regional services.

FIGURE 1

The example of the Freight Plan of SNCF (2004-2006). The Freight Plan was established at the end of 2003 to reorganize Fret SNCF and make it profitable and more efficient. The plan's main goals were 20% productivity gains between 2003 and 2006, and a 3% traffic increase every year starting from 2006. A policy of cost reduction was adopted, based on (1) "industrialization" of operations including higher traffic density, better-loaded trains, and activity seven days a week, (2) increased productivity of equipment in terms of car loading factor and number of cars per train, (3) more efficient organization of labor and (4) reduction of overhead costs from 13% to 9% of revenue, in line with other European railway companies. Specifically, labor was to be reorganized by giving more autonomy to the workforce devoted to freight (whereas until now, SNCF employees work indifferently for passenger or freight services).

Last but not least, in an agreement negotiated with the European Commission, Fret SNCF was given €700 million from the French government and €800 million from the SNCF Group to modernise its means of production.

Results. SNCF has not published all the results of the Freight Plan. It is known, however, that the company did not reach its financial objectives. For 2006, Fret SNCF had a deficit of €260 million, five times higher than the initial objective, and in 2007 the deficit was still very important (€ 240 million). Productivity gains were more obvious. The number of locomotives and freight cars decreased more than the number of ton-km produced. Indicators for service quality were not as good, as the number of trains arriving on time did not reach the objectives. The volume of freight carried decreased in both tons and ton-km. In 2006, 108 million tons were transported, mostly in unit trains and carload traffic. (Intermodal only makes up about 10% of total traffic). Figure 2 shows the decrease of traffic in ton-km. During the three years of the Freight Plan (2004-2006), SNCF traffic in ton-km dropped by 15%. It is difficult to distinguish between the effects of the Freight Plan, and the results of losing "good" customers due to SNCF's poor quality of service. In 2007, traffic remained stable, well below objectives.

FIGURE 2

The network impact of SNCF's reorganization of production (for example, the number of lines taken out of service or the number of yards reorganized or closed) are not available. The French Ministry of Transport has released some figures for 2004. During that year, 170 small stations were closed to carload traffic or completely. 103 "lumber stations" (a station where sawn lumber is loaded) closed. 16 main freight stations (out of

205) were downgraded to simple stations. And four classification yards (out of 20) were downgraded to simple stations. In the SHORTLINES research, P. Zembri (Debrie & Zembri, 2008) has assessed and located the loss of traffic on freight-only lines of the lightest construction, those of UIC classes 7 to 9. Figure 3 shows the UIC 7-9 lines where traffic was abandoned or substantially reduced as a result of the Freight Plan. The most severe reductions happened in the Paris region as well as in the South West and North East.

FIGURE 3

Following the financial failure of the Freight Plan, yet another strategy was announced in 2007 by the new head of the freight division, based on an additional reduction of the number of classification and smaller yards. Since December 2007, about 300 small stations are being progressively closed to carload traffic, mostly in the central and south-western regions of the country.

Figure 4 shows a map of freight traffic in France. It shows lines whose traffic is less than 1000 tons a day. These are the lines more likely to have been reorganized or closed during the Freight Plan or to be closed in the future.

A direct impact of the Freight Plan for customers was rate increases for all services which were clearly unprofitable. According to SNCF, rate increases amounted to around 3.5% on average during the Freight Plan period, but this was quite variable by location and customer. Shippers' associations commonly mention local price increases of 20 to 50% or more.

FIGURE 4

French rail is seeing no development of short line rail services

In France, the deregulation of the rail freight market is much more recent than in Germany. It has been effective since April 2006. Developments since then show no emergence of the kind of cooperative processes visible in the North American short line model. The current situation is characterized by a strongly competitive attitude on the part of newcomers, who enter the market after winning bids from large customers. This is the case, for example, of Veolia Cargo France, which started its first new domestic service in summer 2006 after having started a few international lines since the deregulation of international rail freight traffic in 2003. Euro Cargo Rail (a subsidiary of EWS, itself recently bought by Deutsche Bahn), Rail4Chem, CFL Cargo, Colas Rail (Bouygues), Europorte 2 (Eurotunnel), VFLI (a subsidiary of SNCF) and B-Cargo (a subsidiary of Belgium railways) also obtained licences and safety certificates for France since 2006, and they have started to bid for traffic (which they have often won). In 2007, these new operators achieved a market share of 8% of ton-km transported by rail in France.

Neither SNCF nor its main potential competitors seem to see development of partnerships as a priority.

In Germany, partnerships formed since the Mora C plan have resulted in the preservation of service to about 10% of the "tariff points" where service was to be discontinued for financial reasons. (Tariff points are the points where goods are legally transferred from one operator to another). The Mora C plan has led to the loss of between 5 to 7% of the carload traffic revenue of Deutsche Bahn's freight unit Railion (H. Essling, Railion, interview, October 2006, cited in Dablanc ed., 2008). Very interestingly, Mora C was accompanied by the identification of potential alternatives to the closure of a tariff point. Among these solutions was an active search for a regional rail operator who could potentially take over the traffic. According to Railion, this helped "save" some €20 million of revenue. However, this was less than 1% of total Railion revenue of that time. In the United States and Canada, cooperative rail service agreements have been fully integrated into a global strategy of cost reductions and preservation of service quality.

Rail services in France do not seem to be following this trend, even though some experiments are being carried out following the publication of the Chauvineau Report in 2005 (Chauvineau, 2005). Jacques Chauvineau, a former high-level SNCF manager, is promoting the creation of "proximity operators" for freight services in regions. A proximity operator is a short line rail company aimed at consolidating freight from different regional shippers in a given local territory where some potential for rail traffic has been identified in advance. The expected function of these operators is to search for scattered traffic and concentrate it before turning it over to a long-distance operator such as SNCF. Several experiments are currently being prepared, including in the Centre region (Orleans) with cereal producers, in Auvergne (for products such as mineral water and lumber), in Bourgogne (lumber and quarry materials), in Champagne Ardennes

(cereals and biofuels), in Languedoc-Roussillon (various goods, empty freight cars). None of these projects has yet started. These attempts suffer from the difficulty in finding rail entrepreneurs eager to enter these local markets. SNCF's unwillingness to cooperate was also a problem. Small steps towards cooperation were taken more recently. An agreement was signed in September 2007 between SNCF and local cereal producers from the Centre region to promote the creation of a proximity operator, SNCF contributing with providing locomotives and drivers during the initial months. As of June 2008, this project has not materialized yet.

Infrastructure is a major issue for the future of local services

One of the most severe problems facing short line services is the state of their infrastructure. This problem is common to many countries, including the United States. (Warner & Solari, 2006), for example, have estimated that US$250 million are needed to upgrade short line infrastructure in Texas, of which two thirds would be for lines with low traffic density. On these lines, given that savings in road pavement damage do not fully pay for the track work, the authors recommend that these investments be avoided. In some parts of France, infrastructure problems are acute. The French rail network was comprehensively assessed in 2005 (Rivier & Putallaz, 2005). The state of secondary tracks differs from one region to another. Infrastructure maintenance level is satisfactory in regions such as Nord Pas de Calais in northern France but is poor in the south and west and in some central regions (Centre, Limousin). In these regions, many secondary lines could well be closed in the near future simply because tracks – especially those that are lightly built- are too old and becoming unsafe. For the purposes of the

SHORTLINES research project, P. Zembri further assessed the physical state of the freight-only lines of the UIC classes 7 to 9 (Debrie & Zembri, 2008). Table 1 shows the main results: only one third of these lines are viable today without major investment.

TABLE 1

Reseau Ferré de France (RFF), the agency which owns and manages the national rail network, has estimated that in the Lyon region, for example, maintaining marginal lines with low traffic density could cost €15,000 per kilometre per year.

The major infrastructure renewal that is needed in some significant parts of the French rail network is the primary requirement for sustainable regional services. Even if more efficient regional operators manage to take over services at a reasonable cost, some lines could be discontinued just because of the infrastructure. In addition, some tracks are specifically unable to bear the locomotives of new operators. These operators often have trouble finding cheap locomotives suitable for the French network because of the limited market for second hand locomotives (Vogt & Ruby, 2008). Locomotives from other countries are not always technically compatible with French tracks.

HOW DO REGIONAL GOVERNMENTS VIEW REGIONAL FREIGHT?

Faced with the downsizing of regional rail freight services, many regional and local governments have feared an increase in truck traffic on local roads, a lack of transport alternatives, and a deterioration of the quality of logistic services for their local

industries. Among all levels of governments, regions[3] (Figure 5) have expressed the highest concern.

Consequently, some local governments have been trying to find ways to maintain or redevelop rail services. They have imagined different ways to do so (below, we will see if these ways can be or actually have been tested):

- Investment in rail infrastructure (mixed or dedicated to freight) including track rehabilitation, electrification, signalling modernization, and track doubling.
- Investment in intermodal terminals.
- Investment in conventional facilities dedicated to freight services including specialized stations such as for lumber.
- Part ownership of freight companies. In Germany, many Lander (federal states) acquired part ownership of regional rail companies in the past, but today the cost of this ownership is making it controversial, especially for freight activities.
- Provision of grants to companies wishing to invest in elements such as rail sidings, handling equipment, intermodal trailers, and wharfs.
- Provision of direct subsidies to freight operators. All French regions subsidize regional passenger rail transport, which is considered a public service. For freight, European competition laws make such subsidies more difficult.
- Helping to finance shippers' feasibility studies to assess the relevance of a rail option.
- Setting up of regional logistic master plans dedicated to alternative transport modes.

- Setting up of consultation, communication and partnership programs. In these cases, the regions act as intermediaries between local shippers and transport operators in order to promote rail freight transport.

Given this array of options, what have French regional governments actually done?

FIGURE 5

Sources for identifying French regional governments' actions vis-à-vis freight

The SHORTLINES research projects used interviews[4], press reviews and surveys to evaluate the actions that French local and regional governments are taking towards rail freight. One survey (L. Dablanc and A. Lagrange in Dablanc et al., 2008) asked regional governments about their reactions to rail freight issues and their response to the SNCF Freight Plan. The same questionnaire was sent in two phases (2004 and 2006) to the vice-presidents for transport of the 22 French regions. Four questions were asked:

1. Has your region been confronted to closures of rail freight lines or freight stations since the beginning of the SNCF Freight Plan?
2. Can you provide specific examples of companies impacted by the closure of rail freight services in your region?
3. Do you target modal shift from road to rail as a special policy?
4. Do you think regional experiments of rail freight service with State and/or region's support should be organised?

Two other surveys (L. Dablanc and P. Zembri in Dablanc et al, 2008) analyzed how rail freight issues were integrated into the regions' master transport plans including (a) the long-term and strategic regional transport plans and (b) the "project contracts" between the French central government and the regions, which are financial programs for rail and water transport infrastructure development in the period 2007-2013. Detailed findings are presented in (Dablanc et al., 2008).

Little comprehensive knowledge of SNCF Freight Plan impacts

The results of these surveys and a number of additional interviews show that few regional decision makers are actively involved in rail freight issues. Previous work (Dablanc, 2001) had shown a bigger interest for rail freight on the part of regional governments. It seems, therefore, that the interest has decreased over the last years. This decrease has paralleled the increase of the regions' budgetary and political involvement in regional passenger rail services.

One of the most notable findings of the surveys is that, despite their full jurisdiction over regional economic development, only a few regional governments have a detailed picture of the local rail freight situation or knowledge of local industries' needs for rail services. Some regions do have this information, including Lorraine (Metz), Nord Pas de Calais (Lille) and, to a lesser extent, Ile de France (Paris). Lorraine has produced a comprehensive technical report on rail freight, including evaluation of the impact both of the SNCF Freight Plan and of rail freight new entrants in the recently deregulated market. In the questionnaire survey, only one respondent could provide a detailed list of the freight lines which were at risk of being closed or had been closed. A few of the

regions mentioned some examples. One is the recent closure of a freight service between Valence and Die, which eliminates rail service to the producers of the famous local sparkling wine "Clairette de Die". The Rhone Alpes region (Lyon) estimated that this closure would mean "an addition of 250 trucks on the regional road network". In the Pays de la Loire region (Nantes), two trains of 14 cars carrying palets of mineral water were discontinued, "generating 2,700 trucks annually on the roads".

Apart from these rather anecdotal examples, survey respondents provided no comprehensive assessments. Some regions, however, have made commitments on rail freight policies through their project contracts.

Increasing investments in rail freight infrastructure

On the whole, through their project contracts, French regions will invest €225.5 million during 2007-2013 in rail freight infrastructure (L. Dablanc in Dablanc ed., 2008). These planned investments are directed towards the following items:

- Intermodal highways: 34%
- Rehabilitation of mixt (passenger/freight) infrastructure: 18%
- Port railways, port rail access: 17%
- Combined transport terminals: 14%
- Regional freight: 11%
- Various studies: 6%

An interest in the promotion of large intermodal corridors

Many regions have started longer-term planning studies on rail freight or intermodal services. Some regions are actively participating in European groups developing strategies for the promotion of rail freight. For example, the regions Limousin (Limoges), Aquitaine (Bordeaux) and Midi Pyrénées (Toulouse- which has worked together with some Spanish regions), participated in the PIRENE II project aimed at promoting a rail route through the Pyrenees mountains. Other regional governments are engaged in lobbying actions in favor of large international projects for rail freight. The Rhône Alpes region is lobbying for the Lyon-Turin tunnel and the Provence region is supporting another Alpine crossing, the Montgenèvre tunnel.

However, these are mostly long-term projects, or projects which have not yet been decided on and are strongly dependent upon national or European financial support.

In the shorter term, between 2007 and 2013, in their project contracts the regions have committed to invest €76 million (or 34% of total rail freight investments) on major projects including intermodal highways and studies for rail crossings in the Alps and Pyrenees.

Some investments in dedicated freight facilities

Some regions have chosen to invest in local railway infrastructure. In their project contracts, regions will invest about €25 million (or 11% of total rail freight investments) in regional freight infrastructure. The Centre, Alsace and Bourgogne regions are

providing the major share of these investments. The Bourgogne region (Dijon) plans to upgrade the Digoin-Gueugnon railway line in order to serve an Arcelor steel plant with traffic coming from the Port of Marseille-Fos. However, this project has been on the regional agenda for more than 30 years. In the past, other regions have invested in railway stations dedicated to specific regional rail traffic (such as lumber in Limousin, for example), or in private sidings and in access for such sidings from the national rail network.

Rail access to ports also represents an important share of dedicated freight facilities currently supported by regions, with €38 million (17% of total investment) earmarked in their project contracts. The region Haute Normandie (Rouen) devotes 60% of its rail transport investments specifically to freight infrastructure. This is one of the highest shares among all regions. These investments are directly related to rail access to the ports of Rouen and Le Havre. Other regions are investing in rail access to major ports, such as Dunkerque.

Still other regional governments are investing in multimodal logistic facilities. Some can be very big projects. This is the case of Nord Pas de Calais (Lille), which in the past has supported Delta 3, a trimodal logistic platform located in Dourges, just south of Lille. The region has contributed nearly €40 million to this €300 million project. On the whole, in the period 2007-2013, regions plan to invest €31.5 million in combined transport terminals.

A reluctance to provide operating subsidies

A handful of regions have been trying to subsidize rail services. European competition laws hinder such subsidies: freight operators can receive operating subsidies only under strict conditions. Applications are made on a case-by-case basis and the EU grants exemptions only if they are justified on the basis of EU policy objectives, notably regional development, promotion of small and medium size companies and environmental improvement[5].

Even without legal obstacles, however, many regions would still be very reluctant to directly subsidize rail freight operations. Most regional governments are already busy financing regional passenger rail services, for which they have had full responsibility since 2001, and do not want to finance rail freight as a matter of principle. As Bernard Soulage, elected head of transport for the region Rhône Alpes (Lyon), said recently: "The regions' mission is regional passenger trains… If regions do not want to finance freight services, it is not for political reasons. Simply, they do not have the financial means to do it". However, one region (Provence) has specifically stated that it would finance freight services. The Provence region's master transport plan of April 2006 indicates that "reopening some secondary lines to freight traffic… when important traffic potential can be forseen… is a real opportunity. The region, in this case, could look for ways to accompany these experiments, on the condition that the use of rail be guaranteed". (Provence Transport Plan, p. 8). One of the region's vice presidents, Joel Giraud, told us in an interview: "legally, we as regions should be given more rights to promote rail freight. German local authorities or federal states can do it. We have to

look at their legal framework and adopt it based on environmental protection and promotion of remote geographical areas".

Some French regional governments have set up indirect support programs by financing marketing or technical studies for industries eager to develop private sidings and be connected to the national rail network. This is the case in Nord Pas de Calais (Lille) and Alsace (Strasbourg). Alsace provides up to €50,000 to companies which engage in feasibility studies on modal shift for the transport of their own goods.

Little commitment to long-term strategies

Regional freight is rarely discussed within French regional councils or in their representative organization at national level. When politicians appear to be committed to this issue, it is on a very local basis. One example is in the Provence region (Marseille) where the regional management of SNCF showed us some 50 letters they received over the last three years on regional rail freight issues. Only two letters came from the regional council as such. The majority of the letters came from local politicians (such as mayors of small cities or villages).

Even regions who are leaders on freight issues are reluctant to be more than mere facilitators. Most of them believe they lack the legitimacy to directly tackle freight issues. They see their role more in coordination and networking. Some of them are worried that the decreasing number of freight trains on the network could mean an increase of the infrastructure use charges they must pay for their own passenger trains. Although regions have a clear mandate for economic development and transport planning, rail freight is not a major target in regional long-term planning policy. Rail

freight makes a minor appearance in some regional documents. In the Midi Pyrénées (Toulouse) region, one of the proposals from the regional air quality plan is to "promote freight transport by rail in sensitive areas". In Provence (Marseille), the regional master transport plan indicates that the region could support some freight services. The master transport plan of Nord Pas de Calais (Lille) indicates that rail freight is a major issue for the region. (The port of Dunkerque is identified as "the first rail freight station of France"). However, this document mentions several obstacles to a regional rail freight policy. The first is the poor quality of service provided by SNCF, on which the region believes that it has no leverage. The second obstacle is lack of capacity on the region's rail network. The master transport plan of the Alsace region is the only one that quoted the Haenel-Gerbaud Report (Haenel & Gerbaud, 2003). This Senatorial report, aimed at improving the quality of rail freight services in France, was to be the equivalent to the first Haenel Report of 1994, which opened the way for the modernization and decentralisation of passenger rail services in France.

Most regional governments seem focused on short term difficulties. Some governments have tried to support rail freight in the recent past, but they have been discouraged from continuing by the conflicting decisions made by the national government and SNCF. The example below illustrates.

An example of the difficulties facing rail freight regional policies (Dablanc et al., 2008)

Mr Barbier is vice president of the Nièvre *département* (the rough equivalent of a US county) within the Bourgogne region. Nièvre has a growing timber industry, especially for the douglas fir, a popular coniferous tree there. Réseau Ferré de France (RFF) and Nièvre decided to invest in the reorganization of the local railway station dedicated to lumber. The area around the station hosts the second largest sawmill in France (generating 40 articulated trucks per day). To this end, in 2002 RFF allocated €610,000 and Nièvre €150,000 to upgrade the infrastructure. This station was identified as "strategic" in Bourgogne's master plan.

According to Mr Barbier, however, SNCF's Freight Plan led to a sudden change of strategy towards the lumber station with a rate increase of about 20%. At the same time, a law raised the authorized weight of articulated trucks for sawn lumber transport. These two changes reinforced road transport attractiveness and led to the closure of the station. At the time when an increase of timber activity is foreseen, Mr Barbier says, SNCF decided to close the lumber station without talking with or even informing local communities, some of whom had just invested large sums for its rehabilitation.

CONCLUSION

Large historical European rail companies such as Railion (Deutsche Bahn) or the freight division of SNCF are currently having to reorganize their activities so as to become more profitable (or lose less money in the case of SNCF) and counter new competitors in a totally deregulated market. In this paper, I have questioned the status of "short

lines" (regional lines feeding the trunk lines of a rail system) in the context of these reorganizations. Given that services to secondary lines are usually among the most costly parts of an integrated rail system, they tend to be among the most impacted by a major railway's reorganization: rates are increased, and lines and stations are closed when they do not demonstrate enough potential for growth of traffic and profitability. In Germany, a portion of these lines were taken over by other rail operators, whereas in France all lines abandoned by SNCF were closed.

Confronted with a decreasing number of regional rail freight services, many local and regional governments have expressed their fear that discontinuation of such services will result in more truck traffic and consequent environmental damages. However, what we have found is that today, most regional governments appear to be less involved in the actual promotion of rail freight activities than they were a few years ago. Despite environmental concerns and a strong tradition of public intervention in rail, local governments in France do not want to deal with rail freight. Our surveys primary focused on France, but this conclusion seems valid for Germany too, where the federal states are selling their stakes in regional rail freight operators. (Although in Germany, the rail freight market is active enough to compensate for Landers' withdrawal).

Recent attempts to promote "proximity rail operators" in some French regions are impeded by the reluctance of the historic operator, SNCF, to develop partnerships with potential short lines. Moreover, it is difficult to find potentially interested rail entrepreneurs, and regional decision makers are not eager to actively promote freight services.

These reluctant attitudes from both operators and regional governments may indeed be rational, at least under present conditions. Structural difficulties prevent the efficient

operation of regional freight trains, especially in European countries such as France where rail networks are already busy accommodating growing passenger traffic. If operating conditions and SNCF productivity remain what they are today, public investment in these activities may therefore not be in the public interest. Compared to Germany, conditions for developping efficient and profitable short lines are less favorable in France:

- Germany has many regional industrial centres, whereas economic activity in France is concentrated on a limited number of main industrial hubs and traffic corridors. This is not favorable for short distance rail services.
- In Germany, when the Deutsche Bahn reorganized its freight operations, it closely examined all services at risk of being discontinued and sought to identify potential alternative solutions. In France, SNCF did not follow a similar strategy when reorganizing its operations.
- Besides one SNCF subsidiary (VFLI), only a limited number of potential short line operators are available to take over the regional traffic that SNCF does not want anymore.
- SNCF services with a traffic of less than 10 cars per week still exist in many areas, and their production costs remain very high. It is not uncommon to have two and even three people operating such small trains. Considering SNCF's high labor costs and low productivity[6] (Beau & al, 2004), there is no point in asking local governments to support such unefficient operations.

Despite these difficulties, a few French regional governments remain committed to the promotion of regional rail freight services. It is my recommendation that decision makers evaluate the true economic and environmental relevancy of their investments.

They have to make sure that environmental benefits offset budget costs, given the heavy infrastructure investments needed on many parts of the rail network.

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TABLES

TABLE 1 Viability of the low-density rail network in France (UIC classes 7 to 9 without passenger traffic)

	State of the infrastructure	Potential usage	Global viability of the line
Good	28%	34%	34%
Medium	37%	12%	33%
Poor	30%	26%	30%
No data	5%	28%	3%

Source: P. Zembri in (Debrie & Zembri, 2008)

[1] Mora C: Marktorientierte Angebot Cargo (market-focused freight service)
[2] SWING: service du wagon isolé nouvelle génération (service for carload service, new generation).
[3] There are 22 French regions, with an average area of 25.000 km^2 (slightly larger than New Jersey), and an average population of 3 million. Compared to the lower levels of governments (departments and municipalities), the regions have a relatively small budget. Their main responsibilities are economic development, regional passenger train services and high schools. Figure 5 shows the 22 French regions.
[4] Interviews were made with the Director and Assistant Director of Fret SNCF, the CEO of Veolia Cargo France, a representative of EWS, a representative of UTPF (the French organization of public transport and rail companies), the transport representative of ARF (the French organization of regional governments), a representative of AUTF (the French shippers' organization), an expert from DG Tren (the Transport department of the European Commission), Transport Directors of regions of Provence, Centre, Alsace, Nord Pas de Calais, Midi Pyrénées, Rhône Alpes, and the freight manager of SNCF in Provence.
[5] For example, in 2006 Austria was authorized to implement a scheme intended to promote intermodal transport. The aid covers the period 2006-2012 and has a total budget of €15 million. According to the EU, "The planned measures will help to achieve the national and EU Kyoto target". In France, intermodal transport also benefits from a national aid program. Other categories of rail freight (carload and unit trains) cannot receive subsidies unless specifically asked. In the UK, the Freight Facilities Grant procedure requires that grants include a capital expenditure (for example for rail sidings, handling equipment, or wharfs).
[6] In 2004, the average driving time for a SNCF freight train driver was 2 hours and a half per day, one of the lowest in Europe. Cited in (Beau & al., 2004).